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Elliott, Howard

The value of co-operation

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Box 35

Gift of the President

THE VALUE OF CO-OPERATION

Address

at the

Fiftieth Anniversary

of the

Organization of the Y.M.C.A., New Haven, Conn.

by

HOWARD ELLIOTT

Chairman of the Board

and President of

The New York, New Haven and Hartford
Railroad Company



Hotel Taft, New Haven, Conn.

April 3, 1916

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*Mr. Toastmaster and Gentlemen of New Haven and of
the Young Men's Christian Association:*

It is a very great pleasure to me to be here to-night and participate in your golden jubilee. It may interest some of you to know that I lived in New Haven long, perhaps, before many of you did. When I was a little boy, between 1862 and 1865, I lived on Prospect Street.

When Mr. Burgess and Mr. McKim came to see me about making a talk to-night I hesitated, but they were anxious that I should do so, and I asked, "What shall I talk about?" They replied, "We want you to talk about 'The value of Co-operation.'" I am interested, of course, in anything that interests New Haven, in everything that interests New England, and I am interested in this particular topic.

Co-operation; The beneficial Young Men's Christian
Its Value. Association, founded in 1844 by George
Williams, represents by its growth the value of co-operation. In considering co-operation a good plan perhaps would be to look in the dictionary and see what the word means. It is a good word; politicians use it; everybody uses it. It has a splendid sound, and yet sometimes we are not disposed to apply it to ourselves. We are very glad to have people co-operate *with us*, but we are not always unselfish enough to co-operate with the other fellow when it means self-sacrifice on our part. The dictionary says that co-operation is "the association of a number of persons for their common benefit."

Railways Always One reason I am glad to have a chance
Co-operate. to say a few words here to-night is because it gives me an opportunity to repeat what I have said many times in the last two years throughout New England concerning the importance of co-operation in the transportation business, in which I happen to be engaged, and which is so important to the welfare of the whole community. It is rather curious that

there is hardly a public or semi-public enterprise from which there is not a request, almost a demand, that the railway co-operate, and I take this to be a tribute to the value of co-operation *by the railway*. The railway is asked to co-operate in running the county fair, in agricultural development, in removing mosquitoes from marshes, in draining mud flats, in contributions to hotels, hospitals and eleemosynary institutions, and at the same time, is asked to reduce its charges for all kinds of gatherings, charitable purposes and civic improvements, commercial expansion, etc.; and railway owners have felt it to be to their interest to co-operate in this way, believing that the prosperity of the community as a whole meant ultimately greater prosperity for their particular enterprises.

Now I use the expression "have felt" advisedly; the railways, I say, have believed in co-operation, but they are becoming disappointed and quite discouraged, for this great railway machine is not what it ought to be. After all, the railway is nothing but a great manufacturing plant, turning out a product generally known as transportation. The railway represents the co-operation of thousands of people who put their money into the creation of this great manufacturing plant, and it also represents the combined efforts of thousands of men who earn their living by either directing its affairs or by working upon it in an effort to manufacture a product that is sold daily to millions of people. This great manufacturing plant was created by these thousands of individuals under an implied contract with the Government, State and National, and with society generally that they would have a fair show. This manufacturing plant is still private property, although it is subject to almost innumerable rules and regulations by many forms of government, National, State, Municipal and County, and it will do no harm to bring to your attention again what has been brought out many times in recent years—facts about this big manufacturing plant in the United States.

Railways Need Co-operation.

There are 1,500,000 owners who create this plant; there are 1,800,000 who work for it, and they and their families represent 9,000,000 people. There are 1,000,000 people in correlated industries, like coal mines, steel mills, etc., representing about 5,000,000 people interested in the plant; so here are about 20,000,000 of our people very greatly interested in its success. Then the insurance companies own a billion and a half of railway securities to back up their policies, held by 30,000,000 people, and the savings banks own \$800,000,000 railway securities to back up the savings deposits of 11,000,000 depositors; here are an additional 41,000,000 people directly interested. This great manufacturing plant ought to succeed because it represents the interests of a very large part of our entire 100,000,000 population. To localize the subject a little, take this New Haven Road, which has been going through such storm and stress for the last few years. It has 27,000 stockholders who put their money into the enterprise, and about 20,000 bondholders, or about 45,000 people representing the ownership and there are 36,000 employees, who are trying to serve, and do serve, in the daily transactions of one kind or another about 500,000 people a day. These employees try to provide a product and a service for approximately 10,000,000 people living adjacent to the rails of the New Haven Road from Boston to New York and throughout Southern New England. It is a great big machine and the railway manufacturing plant of the country, particularly that in New England, is somewhat out of adjustment. It is inadequate and it is turning out its product in insufficient quantity, and often it is of poor quality. Many gentlemen in this room naturally complain—no doubt with some justice—because the product is inadequate and poor, and yet if we of the railway are to give you what you want we must have your co-operation to help us just as you must have our co-operation to help you, and the situation is assuming great national importance, and I will show you why.

**The Railway
Product.**

On July 1, 1907, a new system of accounts was inaugurated by the Interstate Commerce Commission, so that comparisons can be made for the railways of the United States from that date on substantially the same basis. Now, for the year ending June 30, 1915, which was the last year for which the figures have been made up, the railways of the United States manufactured of their product, transportation, measured by the units we use in our business, 66,000,000,000 more tons of freight moved one mile than for the year ending June 30, 1908. Those figures are difficult for the human mind to grasp; 66,000,000,000 tons was the increase, and when I say to you that increase was thirty-three times the total of the tons handled one mile by the New Haven system it will perhaps bring to your mind what an enormous business the increase alone was. For the same period the railways of the country produced passenger transportation equivalent to handling 4,000,000,000 passengers more one mile than in the year ending June 30, 1908, which was about three times as much as the New Haven handles in one year, and yet the New Haven is admittedly one of the great passenger-carrying roads in the United States. In order to do that work, to manufacture that additional product, the plant had to be added to, and the owners put in \$4,800,000,000 from July 1, 1907, to June 30, 1915. Now, before they put the \$4,800,000,000 into their plant in order to manufacture the product that you gentlemen wanted, they had left, after paying taxes and expenses, \$760,000,000, to represent interest, return on the property and money to spend for betterments and improvements. After they put the \$4,800,000,000 into the property, in order to serve you, at the end of the period mentioned they had \$739,000,000 left, or \$21,000,000 less than in 1907. You are business men, many of you, and it is obvious that you will not, and can not, go on indefinitely adding to your plant in order to furnish product to your customers if you get not only nothing for the new capital put in, but get less than you had before

you started—and that is the great national problem as to our railways before the public to-day and the public doesn't realize it. If they did they would at once be up in arms and declare it must not go on because the American people are fair when they understand a situation.

The New Haven's Efforts to Serve. I have said that the railways try to co-operate with the public and I want to give you a few examples of what that effort has meant to the New Haven Road in the last hundred days, a very trying period in the history of the company. We have had, as you know, a very unusual winter. We had fifty-eight bad, snowy, stormy and foggy days from December 1 to February 29, fifty-eight out of ninety-one days, and this fact reduced the efficiency of our manufacturing machine very much. We felt, as a part of New England, it to be wise policy to make every possible effort to furnish the product, or transportation, for the manufacturers and merchants of New England. So we made the effort and we furnished \$3,500,000 more of transportation in those three months. In other words, the gross earnings of the company showed the very handsome increase of \$3,500,000 for December, January and February, and the amount of our product was greater than ever before in the history of the company for those three winter months. That sounds first rate and many threw up their hats and said "Fine!" But in order to do that work we had to spend—the owners had to spend —\$3,760,000 more than they did a year ago, in order to produce \$3,500,000 of new transportation! Thus we are \$260,000 behind as a result of the three months' work in our efforts to furnish the needed transportation and thus to co-operate with New England in its wonderful uplift in business. You complain, no doubt, and I think justly, because sufficient transportation product is not here and some is of poor quality, but other railways that have not had perhaps as serious a time in certain directions as the

New Haven has had for four or five years are experiencing similar difficulties and this makes the whole matter a national affair.

I have before me a statement filed with the authorities at Albany, N. Y., as to the percentage of passenger trains on time. It might be called a barometer of the service, and it is not a satisfactory document. The statement begins with September and ends with February. Some railways in the months named had only 40 per cent. of their passenger trains on time; others had as high as 99 per cent. The New York, Westchester and Boston, which has a limited number of trains, and all short trains, heads the list for each month with practically 99 per cent. of trains on time, except in December, when the record dropped to 93.9 per cent. Difficult weather conditions, as I have pointed out, confronted the New Haven in December, January and February. Nevertheless, in spite of them, the New Haven was in trains on time, outside of the Westchester Road, first in September, second in October, second in November, while in December, when, as you know, we had the great ice-blizzard disruption, we dropped to eighth place out of nineteen roads. In January, in spite of the difficulties, we were third out of nineteen; in February we were sixth out of nineteen. I do not give these figures in a spirit of boasting, because we do not think our performance was what it should have been, but simply to show that there were great natural forces at work and that others had similar difficulties to those we had in our manufacturing plant.

Financial Results Discouraging. The various results are financially discouraging to the people who put their money into railway properties, as well as to those who are charged with the responsibility of trying to manufacture the transportation, and also they are discouraging to those who want this product. These results should be a pointed warning that there should be co-operation to help the owners expand their railway plants as well as co-operation to help the manufacturers

expand their plants; and also there should be co-operation to help employees obtain what this organization of the Young Men's Christian Association is interested in—to help employees obtain improved living conditions.

Duty of Employees.

The 1,800,000 employees in this great manufacturing plant and the 36,000 employees in the New Haven—their co-operation is needed, for it is absolutely essential. They have a great responsibility to you, to the owners of the property and to society generally; and especially does an employee in a public service corporation have a great responsibility at this time of world crisis. He ought to be sober, industrious and careful, in order to help produce the very best kind of transportation and he should give more work rather than less at this time when the whole world is askew. Unless he does, the industrial supremacy of New England and the industrial supremacy of the United States cannot be maintained. Every patriotic man, no matter what his occupation, should prevent waste in labor as well as waste in material and he should expect in these times to give the very best that is in him, the hardest kind of work, and to exercise at the same time the most rigid economy. Suppose these 1,800,000 employees should save only a cent a day by greater efficiency or greater care of the property and material in their charge—it would mean \$5,500,000 a year, enough to buy 5,000 freight cars or make numerous important terminal improvements. It would represent on the New Haven Road alone a saving of \$112,000 a year. The nation is very busy. The unfortunate people on the other side of the water cannot do their share of the work of the world they formerly did and there is a great burden upon us, and loyal citizens ought to work overtime instead of half time or less time. We must do a lot of work if we are to have New England and the United States the kind of a place we want it to be for our children and for our grandchildren to live in.

The 8-Hour Day Demand. We are confronted to-day, you, I and all business men, with a great movement to work less time. It is a movement that

is coming to a head on the railways in what is called the notice served by some of the great railway brotherhoods for a change in their working hours and rates of pay. You have seen some account of it in the newspapers. I want to give you, as briefly as I can, a statement regarding it so you will understand in part how great the question is, how important it is to the welfare of the whole country, the welfare of New England, and the well-being of yourselves whatever your occupation. Somewhat over 300,000 men in the railway service (most of them very good men, who get good pay, rather the highest pay in the service) ask that their wage day hereafter be based on eight hours of work instead of ten, and that they be paid the present rate for ten hours for eight hours and overtime at one and one-half times the hourly rate for the eight hours. These men represent 18 per cent. of the total number of railway employees; they now receive 28 per cent. of the total railway payrolls. It is stated if the railways feel that they can not accede to these demands, the men feel their cause to be so just that they will not consent to discuss it or leave it out to any other body of men for impartial arbitration and will discontinue work.

Now, to grant those demands would mean to the railways of the United States over \$100,000,000 a year. It is a vital question to this country, especially when you consider the present condition of the railway business, particularly the railway business in New England and the inadequacy of the manufacturing plant to turn out the product that you want.

It is well worth the while of those who are engaged in manufacturing and merchandising, as well as those who may be professional men and students, to consider the sociological aspect of this movement. What does it mean? It means a 25 per cent. increase in the payrolls of these men without counting a much larger percentage of in-

crease when they work overtime, and as I said, it means, a total of at least \$100,000,000 a year for the wages of these men alone.

If these men are justly entitled to an increase of 25 per cent.—they are, I repeat, the highest paid men in the service—what should be said of many others in the service who are getting very much less and who must meet the same general conditions that confront us all in our daily living? Shall they also receive 25 per cent.? That would mean bankruptcy for many railways and an absolute stoppage of dividends on many others. It would mean a stoppage of additions to this manufacturing plant during the period of readjustment. We do not know how long that period of readjustment would be, but a great dislocation of any large manufacturing plant means an interregnum of uncertainty but we all know that business would be checked in the United States; business in New England would be checked and we could not go on and make improvements to our manufacturing plant.

This movement by these men—three hundred or more thousand of them—is a form of co-operation on the part of those classes of employees, but it is without sufficient regard to all other employees or to the rights of the owners, the 1,500,000 owners, or the rights of the 100,000,000 of the public. These gentlemen seem to have forgotten the definition of co-operation—namely, “The association of a number of persons for their common benefit”—because other employees and the owners are intimately interested in the results of the movement inaugurated by these men, and in our complex modern society they cannot disassociate themselves from this interest—they are all in the same boat.

Problem for All Citizens.

This problem is presented to you as citizens and as voters. Must not you take some position on this great national problem and must not you announce in some way the principle that when a man elects to earn his living by working for a public service corporation he assumes a

moral obligation to the public to keep that corporation going pending a dispute over wages until the dispute is settled in an orderly manner? Also, must not a man take some of the burdens of his occupation? All would, perhaps, looking at it from a selfish pecuniary standpoint, have liked to have been in Bethlehem Steel, General Motors or Winchester Arms and reaped the benefit of the great advance in prices in these securities, but we weren't and we have to assume the burdens of whatever business we are in. There is a moral obligation upon us all to do our duty in whatever business we are engaged, and a way must be found to adjust this very great national labor problem. Up to the present time the general public has rather left it to the railway managers to settle. They are, of course, to try and settle it, but they may not be able to do so without co-operation on the part of the users of the railway, and these users of the railway have a great responsibility in the matter.

The users of the railway have at times lost sight, it seems to me, of their ultimate real interest in making certain that this great manufacturing plant should be at all times adequate to do the necessary work. The users have proceeded for twenty-five years upon the theory, and given voice to that theory through commissions, courts and legislatures, that the best policy is to have reduced rates, and at the same time force the railways to pay high wages, feeling that that policy increases the purchasing power of this great army of employees; also, to force high taxes, believing that they also are to benefit the user, forgetting that the owner must have enough reward to keep his plant going and to manufacture the product you want when you want it; and this is a great question for you gentlemen to bear in mind.

Manufacturers I spoke earlier of the co-operation that **Should Co-operate.** was asked of the railways in trying to work out our intricate social problems, and I want to say to you that since I have been trying to solve the problems of the New Haven there has been

much co-operation in many directions. There is a better understanding and a better sentiment throughout New England, which has had the effect of helping to save this great property from bankruptcy. The facts of the situation have opened the eyes of many to its seriousness, but there is a great deal more to be done if this great plant is to be kept active and ready to serve you. Recently, in the hundred days of which I have spoken, we struggled to furnish the product, but on the other hand let me show you where the manufacturer and the merchant can help. He also must help the railway and New England. A freight car has a certain value, the track on which it stands has a certain value. A freight car is not fulfilling its real purpose when it is standing still; its purpose is to move freight from one place to another. A track is not fulfilling its real purpose when cars stand idle upon it. Railway cars run from one road to another. For a term of years a system of charges for the use of those cars has been developed. If we use a Pennsylvania car we pay them 45 cents a day; if they use our car they pay us 45 cents a day, the general theory being that 45 cents a day makes approximately the owning railway whole and that thus the railways balance up in the course of the year.

Great Economic Waste. During the peculiar conditions in New England for the hundred days, when manufacturers and merchants were eager to safeguard themselves against shortage and after business had taken a very sudden jump, there was tremendous buying of materials to come into this territory. The New Haven tried to bring in the stuff for the merchants and manufacturers so they could go on with their business, with the result, coupled with the storms, that the road became blocked and congested in many places and the freight cars did not perform their real functions, but stood idle much of the time. This was partly the fault of the railway and partly the fault of the owners of the freight, who had not provided themselves with adequate

storerooms and warehouses into which to put the freight. And what happened? In our efforts to co-operate with you in the months from December to March, inclusive—making an estimate for March—the company paid for the use of freight cars, after allowing for all demurrage collections and payments from other roads, \$1,225,000, which was \$1,000,000 more than a year ago. Now, just think what an economic waste that was. How much better it would have been for the New Haven Railroad and the manufacturers if that money could have been used to purchase more automobile trucks and warehouses so that the moment freight came into New England it could be taken out of the car, put into the automobile, taken to a warehouse and the car been ready to go back to its home road to make another trip. It was a great economic waste, which, as I say, was partly the fault of the railways and partly the fault of the gentlemen who had the freight coming in.

At the risk of boring you, let me give you a few recent figures to show how slowly the freight was taken away after our efforts to co-operate with you and help to build up your business. The number of cars waiting to be unloaded throughout the month of March averaged about 13,000 a day, and the number unloaded either by the railway or by the owners of the freight rarely ran over 4,500 a day. This means that less than 40 per cent. of the cars on hand were released each day, the 60 per cent. having to wait.

Unsatisfactory We recently formed a committee, after
Car Unloading. much consultation with the Interstate
Commerce Commission. That committee appointed a sub-committee which sits in New York from nine in the morning until six in the evening each day. Mr. Campbell, a Vice-President of the New Haven, is one member of the sub-committee, Interstate Commerce Commissioner Clark is another and Mr. Casey of the Lackawanna is the third member. They take all complaints of delays to freight in this eastern territory and check them

over and try to help the situation. They have about twenty-five men traveling east of Pittsburgh and Buffalo in an effort to ascertain where are the difficulties, and they receive daily reports from these inspectors.

Let me give you a few figures showing for one day the number of cars placed by the New Haven ready to be unloaded by the owners of freight and the number of cars actually unloaded; for instance, this on March 31:

Cars placed in New Haven to be unloaded..	410
Unloaded..	242
“ “ “ Bridgeport to be unloaded..	292
Unloaded..	189
“ “ “ Waterbury to be unloaded..	336
Unloaded..	181
“ “ “ Hartford to be unloaded..	436
Unloaded..	163
“ “ “ Ansonia to be unloaded..	119
Unloaded..	38

and so on through the list—a great many more placed than were unloaded.

These figures simply indicate that some of the great manufacturing plants of Connecticut have had similar difficulties to those of the New Haven. They have not been able to bring up their facilities to conditions. It is nobody's fault, perhaps, but it is a condition, and it bespeaks the need of co-operation not only by the railway with you, but co-operation by you with the railway, for it is a fact that this storage of freight in cars is the most expensive and uneconomical way of storing freight that one can imagine. You are not only paying more per cubic foot for storage in freight cars than in warehouses, but you are preventing yourself and your neighbor from getting the full benefit of the railway in moving cars either to or from your location. Some say, "What do we care, we pay demurrage!" That is not all there is to the matter. When you thus use freight cars for your business you de-

prive your neighbor of their use and you prevent the bringing in and taking out of freight. Whatever has been the cause or the result of these difficulties it is a fact that the railway manufacturing plant has not been kept up to the mark anywhere in the United States. Some may think it is peculiar to New England because of the very unusual and difficult conditions confronting the New Haven Road during the last four or five years.

The directors and officers of the New Haven are charged with the high responsibility of trying to serve three classes of people. They owe a duty to the public, a duty to the stockholders, who are receiving nothing, and a duty to the employees; and they are trying to do their duty to everyone.

What Will You Do to Help? Now, what can we do or what can you do about all this? We know we need a lot of money; how are we going to get it?

The New Haven Road ought to spend \$25,000,000 in the next five or six years. It ought to spend right here in New Haven several million dollars for improvements that should have been made long ago—these to expedite the movement of trains. In other words, the company is not in a position to produce the transportation that New Haven requires. There are a number of things that you gentlemen can do if you want to help. The country, for reasons that need not now be discussed, has been for twenty-five years rather down on the railways, and has adopted a sort of punitive policy to punish the owners of railways for misdemeanors, or errors in judgment. I think, however, railway owners and railway managers have their faces now turned in the right direction and realize their responsibility and there ought to be co-operative help by all.

We cannot get on the basis necessary to produce the transportation that is required until we do several things;

Until the public can be made to realize the fact that railways are no different from other kinds of

business in their ability to increase all kinds of expenses and at the same time not to advance the price of the article they have to sell and thus keep their plant adequate;

Until the public realizes that this extreme and conflicting punitive regulation is really hurting them;

Until there is some reasonable control and regulation of the various organizations of labor that are engaged upon the various public utilities upon which the welfare of society depends;

Until instead of passing additional laws we take account of those now in existence, to be followed by classification, amendment and repeal of some;

Until it is realized that railways are more and more national and less and less State in character, and that State control must be subordinate to national control;

Until it is recognized by everyone that the national aspect at this time of the world's crisis demands that every man shall give his maximum of mental and physical effort, no matter what position he may occupy in society.

It is a great problem, gentlemen, as I have said, and anything we can do to solve it will be most helpful to New England, for anything that affects adversely the credit and social welfare of New England has a reflex action on the whole country. The six New England States have, as you probably know, one-fourteenth of the national population, one-twelfth of the national wealth, one-eighth of the national materials and one-sixth of the bank deposits.

I, perhaps, have painted a gloomy picture, but being right in the field, I realize the seriousness of the situation. Still I have great confidence in the ultimate good sense of the American citizen, for I believe when he understands the situation he will exercise sound common sense; but time is very essential. We have the best country in

the world, especially since this dreadful war. We have on the whole the best institutions. We have, although some do not think so, the best and cheapest transportation in the world; and if we exercise this common sense we will go ahead and make the nation still greater and better; but if we do not there is danger of a change in our institutions and that these great railways and other public utilities corporations, which, as I say, are really great manufacturing plants, will be crippled and unable to furnish the product so essential if the country is to progress. I think that every patriotic individual should do his little bit, as they say on the other side, to think about this problem, to help to get a solution of it and to correct some of the foolish influences that are at work in the land all the time.

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